



FISCAL MEMORANDUM

HB 2600 - SB 2489

March 7, 2022

SUMMARY OF BILL AS AMENDED (014794): Authorizes certain local governmental entities (LGEs) to increase the threshold over which public advertisement and sealed competitive bids are required for nonemergency, nonproprietary purchases.

FISCAL IMPACT OF BILL AS AMENDED:

Decrease Local Expenditures – Exceeds \$22,200/FY22-23 and Subsequent Years

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. §12-3-1212:
 - A county, municipality, utility district, or other LGE having centralized purchasing authority with a full-time purchasing agent is authorized, by resolution or ordinance of the governing body, to increase the threshold over which public advertisement and sealed competitive bids are required to an amount not to exceed \$25,000 for nonemergency, nonproprietary purchases.
- The proposed legislation:
 - Increases the threshold for LGEs with a centralized purchasing authority from \$25,000 to \$50,000;
 - Authorizes an LGE having non-centralized purchasing authority, by resolution or ordinance, to increase the threshold to \$25,000 for nonemergency, nonproprietary purchases; and
 - Establishes that the requirements for three written quotations when possible and the aggregation of purchases of like items applies to LGEs having non-centralized purchasing authority as well as those with centralized purchasing authority.
 - Defines a “full-time purchasing agent” as a person who devotes the whole of the person’s working time to the demands and duties of the office of purchasing agent.
- Establishing that purchases are required to have three written quotations when possible will not result in any significant impact to local government.
- Public Chapter 310 (PC 310) of the 112th General Assembly, which amended Tenn. Code Ann. §12-3-1212, established that counties that have adopted the County Financial Management System of 1981 (CFMS) or the County Purchasing Law of 1957 (CPL) or that are similarly centralized for purchasing under a private act, are deemed to have a full-time purchasing agent.

- In Opinion No. 21-04, the Attorney General opined that counties operating under the County Financial Management System of 1981 do have centralized purchasing authority, but when the director of the finance department also serves as the county's purchasing agent a county operating under such a system does not have a full-time purchasing agent. In order to adopt the higher bidding thresholds, an LGE must have both.
- It can reasonably be assumed that upon passage of PC 310, LGEs increased their threshold to \$25,000 assuming they qualified. As a result, authorizing LGEs having non-centralized purchasing authority to increase bid thresholds is not expected to have any significant impact on local expenditures.
- The proposed legislation specifies who qualifies as a "full-time purchasing agent." Defining this term is not expected to have a significant impact on the number of LGEs increasing their bid thresholds.
- Based on information provided by the Tennessee Association of Utility Districts, utility districts do not have a centralized purchasing authority. Therefore, no fiscal impact to local government.
- Adoption of a higher limit by an LGE will result in a decrease to the number of newspaper advertisements that LGEs are required to publish prior to purchases.
- Approximately 48 counties operate under a centralized financial system. It can reasonably be assumed that 50 percent, or 24 counties, will increase their threshold above \$25,000.
- Of the 342 municipalities, it is estimated that 50 percent, or 171 municipalities, will increase their threshold above \$25,000.
- Based on responses to the 2017 Local Government Survey conducted by the Fiscal Review Committee Staff, participating local government officials reported the average cost for a newspaper notification is \$114.
- While the precise number of purchases between \$25,000 and \$50,000 made by such LGEs is unknown, it is reasonably estimated that each of the 195 LGEs (24 counties + 171 municipalities) will have one less newspaper notification each year as a direct result of the increased thresholds.
- The decrease in local government expenditures is estimated to exceed \$22,230 (195 notifications x \$114 per notification) beginning in FY22-23 and occurring in subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/mp